



**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, June 8, 2010, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Jeff Dredge	Council Chairman
Darren V. Stam	Council Vice Chairman
Jim Brass	Council Member
Jared A. Shaver	Council Member
Krista Dunn	Council Member

Others in Attendance:

Daniel Snarr	Mayor
Jan Wells	Mayor's Chief of Staff
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Janet M. Lopez	Council Office
Peri Kinder	Valley Journals
Blaine Haacke	Power, General Manager
Greg Bellon	Power
Tim Tingey	Community & Econ Dev Director

Chairman Dredge called the meeting to order at 5:32 p.m. and welcomed those in attendance.

Mr. Dredge called for a motion on the minutes from the Committee of the Whole meeting held on May 18, 2010. Mr. Shaver moved approval as written. Ms. Dunn seconded the motion. The motion carried by voice vote 5-0.

**Business Item: Bundled Energy & REC Sales to Truckee-Donner
PUD - Blaine Haacke**

Mr. Haacke informed the group that he has had discussions on this topic with both the Mayor and Power Advisory Board, and felt it might be of interest to the Council, as well. There have been philosophical differences of opinions,

therefore, he would like to know the feelings of the Council. The Mayor expressed his view that he would like to have some additional revenue for the power department with an option to opt out, if necessary in the future.

To review the description and process for RECs, Mr. Haacke explained that the acronym means Renewable Energy Certificate, and called a green tag. When a renewable resource, like wind, solar or landfill gas, generates energy, there is an energy component called kilowatt hours (kWh) which is usable, and there is a component called RECs, that have value and can be sold separately. Murray City has renewable energy from its two landfill gas plants. The green power makes folks feel good, and helps the environment. Usually, if a company says it is 100% green, it has some renewable sources, but also purchases RECs.

Landfill Gas Plant #1 is at the Salt Lake County Landfill, and was operational in May of 2006. Since that time, Murray has generated nearly 91 million kWh. That energy has been used by Murray City, and has supplemented the resource mix that would have otherwise been purchased elsewhere. The RECs have been sold for \$239,000, as revenue to the power department.

The City is still in the process of selling 2009 RECs, because a regional and federal tracking system, called WECC, verifies that the plants are metered, and proves that an actual energy conservation green tag is appropriate. It takes about three months for the government to prepare the RECs for market. The current price is about \$5 per REC. For both plants it will amount to about \$100,000 for a six-month period. Murray has a ten-year contract with plant #1. We have first right of refusal on this contract for future negotiations. The energy pricing is seasonal, with \$60/mWh in the summer, and \$58 in the winter. It escalates at 3% per year for the length of the contract. Both plants have the same contract pricing.

Considering last winter's resources, energy was purchased at \$58, delivered (including the UAMPS transmission system), and if the REC is sold for \$5, then the net cost to the City is \$53. Renewable resources are not the City's least expensive sources. Landfill Gas Plant #1 has been a great plant, on 90% of the time, three MW around the clock. Wind is only 20% - 30% on, at best. Solar is about the same.

Landfill Gas Plant #2 started commercial operation about one year ago. In total, there have been about 22 million kWh. The City is in the process of selling RECs from this plant now. It is not as reliable as the first plant, 2.7 to 2.8 MW, versus 3 MW from plant #1. TransJordan is working on the gas flow. Two of three generators are operational. They are drilling more holes into the cells, and injecting water to increase the gas push, which may possibly help the gas last

longer into the future. The purchase rate is the same as plant #1. The value is in both energy and RECs.

The question is whether to sell the RECs or keep in the Murray portfolio. Mr. Haacke discovered a few months ago that there is a value to selling the energy and REC bundled together. Up until that time, he felt it was wise to keep the energy and sell the REC. There has been a market for that, and it is volatile from day to day. The City has received as much as \$6.50 per REC. A REC equals one MWh, and a thousand RECs equal a kWh.

About five months ago, Mr. Haacke negotiated with an entity in Arizona, which offered about \$80 for a bundled product, which comes directly from the actual plant. Normally, the City generates into the UAMPS grid, and use is from the grid, which can be energy from all over. It is mostly a paper transaction. The Arizona legislature ruled that if an entity can buy from an actual green plant, which can be tracked, then a little more value is added to the portfolio. Some states have a standard that 20% of the energy must be green power. Before the transmission could be arranged with UAMPS, this firm backed out, due to changes in the Arizona legislation. However, Mr. Haacke has been thinking about other entities, which may be interested in bundled resources. By selling the resource for \$80, purchasing at \$50, it could become a million-dollar revenue source per year.

There is a public utility district (PUD) in UAMPS, the Truckee-Donner district, who may be interested. They joined UAMPS within the last two years, to buy into the new IPP coal plant. This was never built. Mr. Haacke related that he has been communicating with Truckee over the last two months regarding this option. This can be a very good source of revenue, however, there is the philosophical angle that he would like to discuss with the Council.

Mr. Haacke expressed that once the REC has been sold, Murray cannot claim that energy as a renewable resource. If the current energy is bundled and sold with RECs then Murray is selling a percentage of its green power portfolio. When the power board was approached with this current option, they indicated their feelings that Murray had gone out on a limb when it invested in the landfill gas plant. It is the most expensive power purchased, except for the spot market, and it was done for the express purpose of investing in green power. Now, it is the opinion of the board, that if Murray sells it, the City becomes hypocritical in its desire to use green power. Mr. Haacke pointed out that he would replace this energy with the least expensive power available, probably IPP or natural gas.

Mr. Brass reminded the group that the City is selling it now. As we sell the REC, expensive power is left. Ms. Dunn further explained that once the green tag

is sold multiple entities cannot claim it. We have sold our right to claim that power as a renewable source for Murray. Mr. Haacke stated that the power department has been very careful in its comments to the public regarding green power. In theory, Murray always has a renewable resource, because RECs are not sold for several months. If the City keeps even 2 MWh, then we can claim that we are using green power. Ms. Dunn said that the City is not required to use any renewable energy, however, if the time comes when we are required to use green power, then our sales to other entities could be discontinued. Mr. Haacke said that is part of the negotiations. Mayor Snarr admits that the City is selling the RECs however, he insists that Murray is still helping the environment. Mr. Haacke stated that all UAMPS members had an opportunity to be involved in this project, and it is an enviable position to be in now.

To explain the potential sale in detail, Mr. Haacke reported that Truckee has offered \$67.50/MWh for the energy and REC. They would use this to cover their state mandated renewable energy portfolio needs. Murray's replacement, worst case, would be an IPP cost of \$55. This is a \$12 margin. (He feels he can purchase at less than \$55.) This can be a net revenue item of about \$300,000 per year, per plant.

The Mayor reflected on the power board's comments that Murray did not do this to make money but to protect the environment. The Mayor insisted that the gas is not just being flared off.

Ms. Dunn suggested that Murray could keep a portion and sell a portion. That way the City has green power, and can sell some green power. She feels this is judicious. Mr. Haacke suggested a 50/50 split.

Mr. Brass asked how the agreement would be worded, as unit contingent, or supplying a specific number of MW. Mr. Haacke said it would be unit contingent, and Truckee would have to arrange for the transmission. If the plant goes down, then Murray is not compelled to buy power in order to supply them. Mr. Haacke said there are still some details to work out, as the Murray contract with the plant goes to 2016.

Mr. Brass said that it is important to protect the City, in case of a future mandate for a certain percentage of green power. The contract must have a fall back. The Mayor stated that we need the right to sever the agreement with a certain number of months notice.

Mr. Haacke indicated that he is happy with the direction indicated from the Council, as the City would still net about \$300,000, and keep half of the green power. Fine tuning the contract will be important.

Ms. Dunn expressed that in the beginning, all of the green power is coming to Murray, even if some is sold later.

Mr. Shaver asked where the \$300,000 in revenue goes. Mr. Haacke responded that it would go back into power department funds as miscellaneous revenue. He added that there is a line item for REC sales. Mr. Shaver asked if it goes to power because it is an enterprise fund. Ms. Dunn said it is a good way to build reserves faster too.

Mr. Haacke explained that part of his purpose in the discussion was to inform the Council of the power board's opinion on REC sales. The Mayor said that he felt the board never really comprehended the concept before. He feels it is a fair compromise to have the 50/50 split on green power. He stressed the importance of off ramps in the contract language for future needs.

Ms. Dunn pointed out that it may not have been understood that, currently, the City is selling 100% of its RECs. Murray cannot claim them even if they are sold seven months out. It is only being done for the money that can go for long range needs or reserves.

Mr. Shaver asked if this is simply informational for the Council at this point. Mr. Haacke confirmed that, and will continue to negotiate the contract as he has done in the past. He will continue to inform the Council using the Mayor's Council communications.

Mr. Dredge does not understand the logic of selling only part of the RECs. The City already does not get credit for the green power. Ms. Dunn insisted that, at some point, Congress, the EPA, or the legislature could require power entities to use a certain percentage of renewable resources, and if Murray is under contract to sell all of it, the City could get behind. He felt there would be plenty of time to react to that scenario.

Mr. Brass described a "cap and trade" situation, where Murray can use green tags to protect coal resources. The City needs to prepare for that too. Currently, Murray has 6 MW from the landfill, and, realistically, that will not even back up the Hunter II coal generation.

Mr. Haacke reported that Murray is about 13% to 15% renewable at the current time. That does not include federal hydro. If the City could count that, it would be 45% to 50%, even though it is old hydro. What they want is new hydro.

Mr. Brass asked how Truckee will track the electrodes back to a specific plant. Mr. Haacke stated that Murray would deliver to the Mona substation, and it

would go through a UAMPS contract. There are still a lot of negotiations remaining, and only plant #1 is under discussion. In the future, there may be interest in plant #2. Mr. Haacke feels that contracting out three to four years is all he wants to commit, at present.

Staff Report - Mike Wagstaff

Mr. Wagstaff indicated that it would be necessary to have a third Council Meeting in June to adopt the certified tax rate, as it usually is not received until late in the process. He asked for direction on a date that would work with everyone's schedule. The 22, 23, and 24 of June have all been suggested. Mr. Nakamura stated that the statute dictates the certified tax rate must be adopted by June 22. Ms. Dunn stated that if the state gets the information to the City in time, it can be adopted on June 15. If not, then it may be late, as are other cities. Mr. Dredge pointed out that a Council Initiative Workshop (CIW) would also be held, and it would be more convenient to have the two meetings on the same day. Others agreed.

It was decided that June 24 was the best day. The CIW would begin at 4:30 p.m. and Council Meeting at 5:30 p.m. There will be another issue for that meeting, as well.

There being no additional business, Mr. Dredge adjourned the meeting at 6:06 p.m..

Janet M. Lopez
Council Office Administrator